

The Future of Medicaid Long Term Care Services in Virginia

February 2008

Introduction

The degree of chronic illness and disability among seniors and individuals with disabilities is a key policy and budget issue for the Commonwealth. Seniors and individuals with disabilities make up 30 percent of the Medicaid population in the state, but 70 percent of the costs of a budget that now exceeds \$6 billion annually. The challenge is how to curb Medicaid growth in the long run without compromising access to services for vulnerable populations. In fiscal year 2007, the Virginia Medicaid program provided nursing facility care for more than 24,000 individuals and home and community based services for more than 21,000 individuals.

With the aging of baby boomers, medical advances, and those with disabilities living longer and more productive lives, the number of Virginians that will need Medicaid long term care services is projected to rapidly increase over the next 15-20 years. Governor Kaine set the direction for reforming long term care services in Virginia during his first speech to the joint session of the Virginia General Assembly on January 16, 2006.

We must also address the growing challenge in Medicaid funding, and I applaud those of you in this chamber who have spent significant time on this important issue, which—next to education—now represents the biggest single general fund program in state government. We must reform our Medicaid program to ensure its viability. But those reforms must come through innovation, new ways of thinking, and rooting out inefficiencies – not by rationing health care and services to the most vulnerable.

The federal government continues to look for ways to reduce Medicaid payments to states, mostly by cutting services to adults and children. The reality is that nearly 75% of our Medicaid budget is spent on long-term care for the elderly and disabled through a patchwork system without the benefit of care coordination or case management. Accordingly, I am directing the Department of Medical Assistance Services to develop a plan which will serve as the blueprint for moving towards an integrated, acute and long-term care delivery system for elderly and disabled Medicaid recipients. This strategy offers the promise of controlling Medicaid expenditures without curbing access to the service needed by our elderly and disabled Virginians.

Given the directive by Governor Kaine, the Department of Medical Assistance Services (DMAS) has been working on its plan to improve the delivery of Medicaid funded long term care services to its most vulnerable populations. Under its agency strategic plan, the key objective for long term care services is to increase the number of long-term care participants served in home-and-community settings by increasing the percentage of spending for community based long-care services as compared to all Medicaid long term care service expenditures. With that in mind, DMAS is developing, implementing, and/or improving community based care long-term care services through four key initiatives:

- Integrate and coordinate the acute and long-term care services for low income seniors and persons with disabilities through the development of Program of All Inclusive Care for the Elderly (PACE) programs and an all inclusive managed care model.
- Delay or reduce the future reliance on Medicaid funds for long term care through the implementation of a Long Term Care Partnership Program.
- Improve the information on access to and the quality of long term care services in the Commonwealth by developing a Statewide Profile Tool, which includes the development of critical national benchmarks.
- Move more than 1,000 Virginians from institutions into the community through a federal Money Follows the Person Demonstration.

Before these new programs are described below, it is important to note that the Virginia Medicaid Program has been the leader in many long-term care initiatives over the years. Four key initiatives were:

- Virginia was the first state to offer a nursing facility pre-admission screening program to delay or divert people from institutions to community care. Based on this program, thousands of people are served in the community each year.
- Virginia was the second state to offer a home and community-based waiver program as an alternative to institutionalization. In 1982, the Department of Medical Assistance Services (DMAS) started with one waiver program offering one service, personal care. Today, DMAS offers seven community-based waiver programs with a full spectrum of long-term and supportive services. These waivers currently serve more than 21,000 people in their communities.

- Virginia developed and implemented a standardized, comprehensive assessment process, known as the Uniform Assessment Instrument, to assess care needs across all publicly funded long-term services.
- Virginia is one of the first states to offer consumer direction (which allows clients and their caregivers to hire, supervise, and fire their own personal care attendants) in its Mental Retardation/Intellectual Disabilities and Developmentally Disabled waiver programs.

Integration of Acute and Long Term Care Services

While Virginia has been successful in implementing managed care for low-income children and families, it has not applied the same successful principles to programs specifically designed for the long-term care populations. Currently in Virginia, most Medicaid seniors and individuals with disabilities receive acute and long-term care services through a patchwork of fragmented health and social programs that are not necessarily responsive to individual consumer needs. Acute care is provided in a fee-for-service environment with no chronic care management. Long-term care is provided in a nursing facility or by a variety of home and community-based care providers with no overall care coordination or case management. In addition, most Medicaid seniors and individuals with disabilities qualify for both Medicare and Medicaid (known as dual eligibles), which further complicates the access, quality, and funding of an integrated system.

Integrating primary and acute care services with long-term care services—so that they are offered through one coordinated delivery system—will result in more efficient services and better coordinated care. This will enable more participants to receive long-term care services in the community and decrease the demand for expensive institutionalization. The focus will be on providing the “right services at the right time” and eliminating healthcare delivery systems based solely on funding sources and the need for long-term care services.

DMAS has developed two models for moving forward with the integration of acute and long term care: the community model and the regional model.

The community model is the Program of All Inclusive Care for the Elderly (known as PACE). PACE serves persons 55 and older who meet nursing facility criteria. All health and long-term care services are provided in the community, centered around an adult day health care model, and with Medicaid and Medicare funding combined. This is a voluntary program and is one community alternative to nursing facility care. Virginia is the leader among states in the implementation of PACE sites. DMAS continues to work closely with seven communities to develop PACE sites.

Both Sentara PACE in Norfolk and Riverside PACE in Hampton Roads have launched their new PACE programs; four more communities, Richmond, Big Stone Gap, Tazewell, and Lynchburg will have operating PACE programs in 2008. Northern Virginia is at the initial stages of pursuing a PACE project.

The regional model is a capitated payment system for Medicaid and/or Medicare participants for all acute and long-term care services. Unlike the PACE model, where all health care professionals and all services center around an Adult Day Health Care Center, a regional model utilizes a managed care organization. DMAS will now include populations and services previously excluded from the existing managed care program. The populations include participants who are fully eligible for both Medicare and Medicaid (dual eligibles) and participants in the Elderly and Disabled with Consumer Direction waiver. The new services that will be added to the existing acute and primary care services offered through managed care include: the Elderly and Disabled with Consumer Direction waiver services (such as personal care, adult day health care, and respite care) and 60 days of a nursing facility stay. DMAS intends to implement the regional model in three waves: in Tidewater/Hampton Roads in February 2009, in the greater Richmond area in December 2009, and Northern Virginia and the rest of the state in 2010.

Long Term Care Partnership

The Deficit Reduction Act of 2005 (DRA) encouraged new development of Long Term Care Partnerships. After the DRA, many states, including Virginia, became interested in Long Term Care Partnerships as a way to curb increasing growth in long term care expenditures for Medicaid participants. DMAS, in partnership with the Bureau of Insurance, the Virginia Department for the Aging, the Department of Social Services, industry representatives, and numerous other stakeholders developed an innovative partnership between private long-term care insurers and the Commonwealth of Virginia. This program enables insurers to offer specially crafted long-term care insurance policies that increase a family's ability to protect their hard-earned life savings if the need for long-term care arises.

The average cost of nursing home care in Virginia can exceed \$60,000 per year and in-home care can cost upward of \$12-\$20 dollars per hour. An extended period of illness or disability can quickly diminish a family's life savings. Long-Term Care Partnerships allow the Commonwealth to encourage and reward Virginians for planning ahead for future long-term care needs. For every dollar that a Long-Term Care Partnership insurance policy pays out in benefits, it protects this amount for those who eventually require Medicaid assistance.

DMAS received the necessary federal approval and launched this program in September 2007. Virginia was the first state with a DRA Long Term Care Partnership program to launch its program and begin selling policies. Since that time, three of the seven Long Term Care Partnership carriers have sold over 2,600 policies. (The three newest carriers have no data yet and one carrier does not disaggregate Partnership policies from straight Long Term Care policies.)

Long Term Care Resource Tool

Virginia was among ten states to receive the first grants awarded by the Centers for Medicare and Medicaid Services (CMS) in a competitive application process. The grant will provide just over \$400,000 over the next three years to the DMAS to develop Virginia's profile tool and to participate in the development of national benchmarks that will be used to compare long-term care services from state to state.

The Virginia State Profile Tool (SPT) Project represents an important opportunity for stakeholders to measure Virginia's progress toward balancing its long-term support system. At the end of the SPT Grant period, it is anticipated that Virginia will have:

- Developed a SPT that will aid the Commonwealth in assessing the status of its long-term support services;
- Outlined a long-range vision to take the next step toward balancing long-term supports for all Virginians; and
- Assisted with the development of qualitative and quantitative indicators to measure the capacity of systems to offer community-based alternatives and improved quality of life for individuals.

As a part of this effort, DMAS contracted with Thomson Healthcare to develop the SPT. Thomson Healthcare staff were hired by CMS to develop the technical assistance guide to States in the development of SPTs and they also created the first SPT for Pennsylvania.

Money Follows the Person Demonstration

DMAS received federal approval of a Money Follows the Person Demonstration and is scheduled to implement the program July 1, 2008. This demonstration will allow more than 1,000 persons in institutions, who wish to return to the community to do so.

This demonstration supports Virginia's efforts to address what CMS terms an "institutional bias" in long-term care supports. The MFP Demonstration funding directly supports Virginia's *Olmstead* community integration initiative by strengthening the infrastructure for community-based long-term support services

so that Virginians who are aging or who have disabilities may choose to move from institutional settings and live in more integrated community settings.

Virginia's MFP Demonstration goals include:

- Rebalancing Virginia's long-term support system, giving individuals more informed choices and options about where they live and receive services;
- Transitioning individuals from institutions, such as intermediate care facilities for persons with mental retardation, nursing facilities, and long stay hospitals who want to live in the community; and
- Promoting quality care through long-term support services that are person centered, appropriate, and needs based, ensuring continual improvement is made through a quality management strategy for home and community based settings and institutions.

At the end of the Money Follows the Person Demonstration, Virginia anticipates to have:

- Successfully transitioned over 1,000 individuals from institutional settings;
- Included transition funding (lifetime \$5,000 limit) within most of its home and community-based waiver programs;
- Created a consumer directed supported employment option for some home and community-based waivers;
- Incorporated additional services, such as assistive technology, environmental modifications, and transition services into the existing home and community-based waivers;
- Employed transition coordinators to assist in moving individuals out of institutions into the Elderly or Disabled with Consumer Direction Waiver; and
- Developed a community living supplement and supplemental home modification assistance (including payment of rent during the home modification period).

Virginia requested \$28,626,136 in federal funding for the Money Follows the Person Demonstration. This includes an enhanced 75% federal match in home and community-based waiver services for the first year for each individual that transitions into the community. The current federal match is 50% for waiver services.